

MONTEREY COUNTY ECONOMIC FORECAST

The Monterey County economy is growing slowly. In 2017 the region gained 1,600 jobs, representing a growth rate of 0.8 percent. By comparison, California created jobs at a rate of 2.0 percent. Several industries grew quickly in Monterey County, including manufacturing and healthcare, but a number of prominent sectors lost jobs during the year.

Construction activity is accelerating sharply. More than 600 homes were built in 2017, and more than \$160 million was invested into non-residential structures. Most of the new homes were single-family units, but more than 100 apartments were constructed in various parts of the county. Several new retail and logistics facilities were built throughout the year, and almost \$90 million was spent renovating existing buildings.

But despite the surge in construction activity, housing production is not keeping pace with population growth. Home prices are rising quickly, and housing affordability is becoming a problem. The typical household now spends more than 40 percent of its income on mortgage payments and rent, compared to an average of 25 percent across the inland areas of California. And because home prices are expected to rise faster than incomes, the affordability problem will worsen over the forecast period.

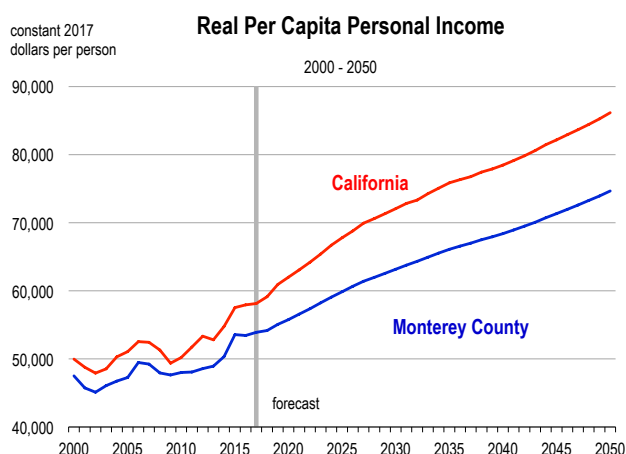
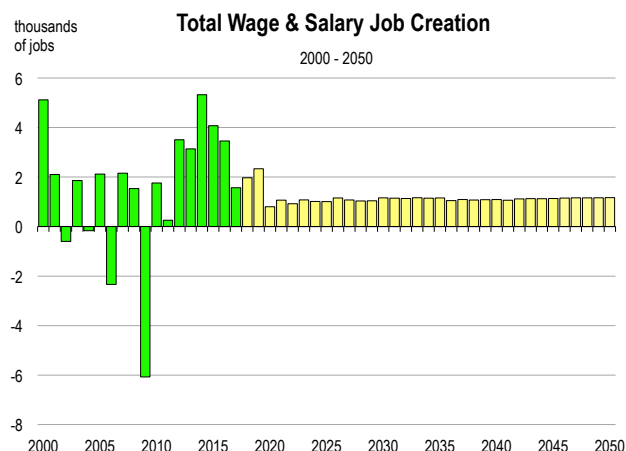
High housing costs are motivating people to leave Monterey County. Between 2012 and 2017, an average of 130 net migrants left the county each year, contributing to slow population growth.

Net migration has also turned negative because of a lack of high-paying jobs. Job losses have been observed in high-paying sectors like professional business services, and slow growth has prevailed in others like financial services. Meanwhile, most of the county's new jobs have been created in industries that pay below-average wages, like leisure services and healthcare. Adjusted for inflation, the average salary in Monterey County has been virtually unchanged over the last five years.

Despite slow job creation, the Monterey County unemployment rate continues to improve, falling from 7.7 percent in 2016 to 7.2 percent in 2017. But it is still much higher than most parts of California. This is largely due to the county's prominent share of seasonal workers (primarily in agriculture), who are often unemployed for several months each year. Because of this dynamic, the Monterey County unemployment rate is already near its lowest sustainable level, and is not expected to improve substantially during the forecast period.

FORECAST HIGHLIGHTS

- In 2018, total employment will increase by 1.0 percent. From 2018 to 2023, employment growth is expected to average 0.6 percent per year.
- The largest employment gains will be observed in education and healthcare, leisure services, professional business services, and



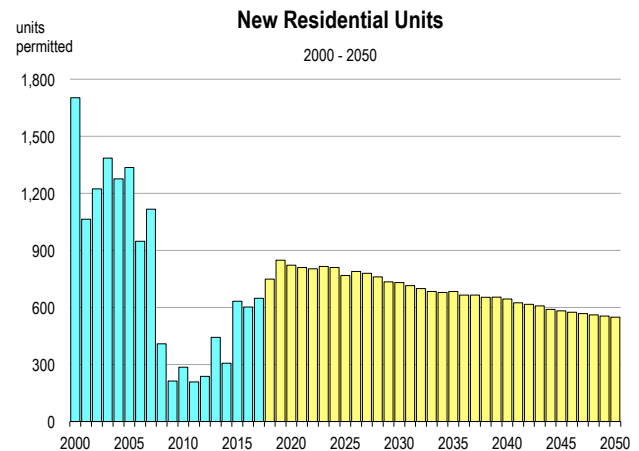
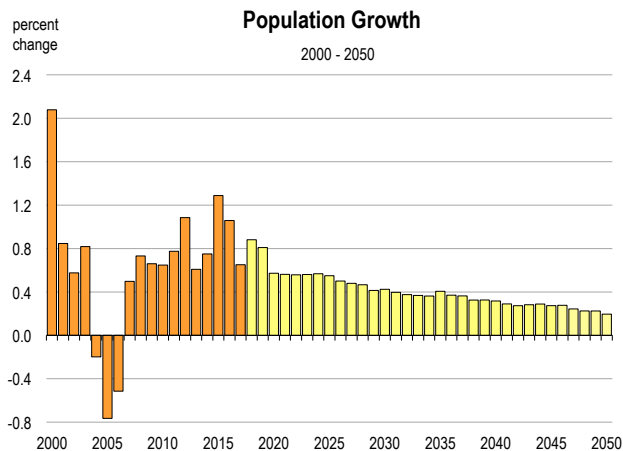
government. Together, these sectors will account for 73 percent of net job creation during the 2018-2023 period.

- Average salaries are currently below the California average, and will remain so over the foreseeable future. In Monterey County, inflation-adjusted salaries are expected to rise by an average of 1.4 percent per year between 2018 and 2023, which will be slower than statewide growth.
- Over the forecast period, an average of 820 homes will be authorized per year. Because Monterey County has large amounts of buildable land, housing production will spread out into single family communities, rather than be forced up into multifamily skyscrapers.
- The population is expected to increase by 0.6 percent annually through 2023. Net migration will be negative, and the natural increase (new births) will account for all population growth.

Monterey County Economic Forecast

2010-2017 History, 2018-2050 Forecast

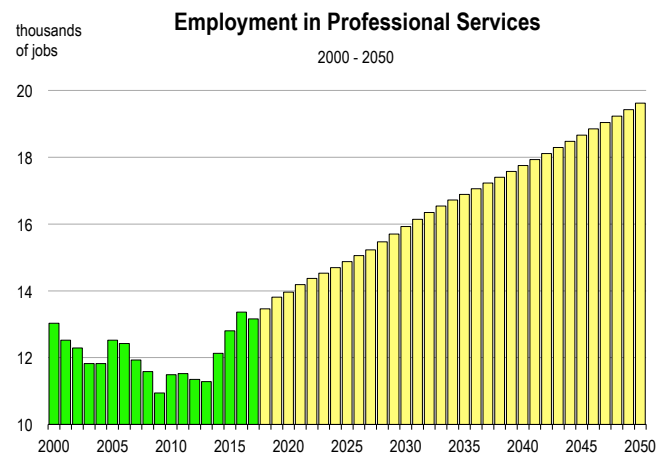
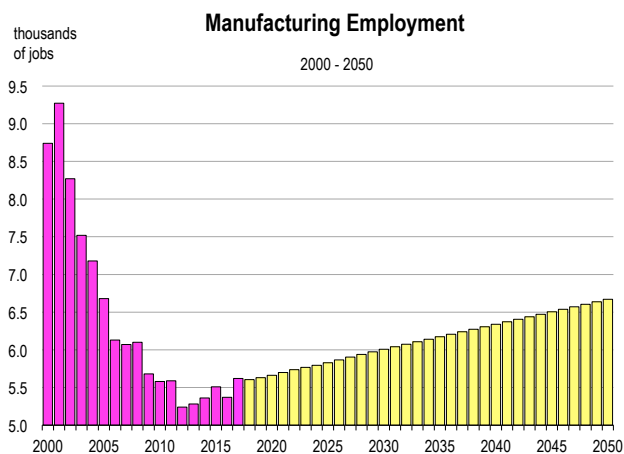
	Population (people)	Net Migration (people)	Registered Vehicles (thousands)	Households (thousands)	New Homes Permitted (homes)	Total Taxable Sales (billions)	Personal Income (billions)	Real Per Capita Income (dollars)	Inflation Rate (% change in CPI)	Real Farm Crop Value (billions)	Real Industrial Production (billions)	Unemploy- ment Rate (percent)
2010	416,265	-1,887	352	125	285	\$5.0	\$17.2	\$47,998	1.3	4.64	2.00	12.9
2011	419,490	-1,309	348	125	208	\$5.3	\$17.9	\$48,068	2.7	4.35	1.93	12.8
2012	424,036	122	350	125	238	\$5.6	\$18.7	\$48,556	2.7	4.42	1.95	11.7
2013	426,613	-1,519	361	125	442	\$5.9	\$19.2	\$48,927	2.3	4.77	2.03	10.4
2014	429,810	-867	369	126	307	\$6.2	\$20.3	\$50,336	2.8	4.80	2.10	9.1
2015	435,342	1,567	379	126	632	\$6.4	\$22.1	\$53,579	2.6	4.96	2.17	8.2
2016	439,945	887	391	127	602	\$6.7	\$22.8	\$53,425	3.1	4.38	2.07	7.7
2017	442,808	-729	393	128	648	\$6.9	\$23.9	\$53,901	3.2	4.55	2.14	7.2
2018	446,708	213	395	128	749	\$7.1	\$24.9	\$54,178	3.7	4.58	2.21	6.9
2019	450,321	-151	399	129	848	\$7.4	\$26.1	\$55,062	3.1	4.60	2.21	6.8
2020	452,897	-1,071	401	129	822	\$7.8	\$27.5	\$55,767	4.1	4.63	2.24	6.9
2021	455,443	-1,053	402	130	810	\$8.1	\$28.8	\$56,574	3.6	4.66	2.30	7.1
2022	457,982	-1,120	404	131	803	\$8.3	\$30.2	\$57,377	3.5	4.69	2.36	7.3
2023	460,549	-1,121	405	131	815	\$8.7	\$31.7	\$58,227	3.4	4.72	2.42	7.4
2024	463,162	-1,125	407	132	810	\$9.0	\$33.1	\$59,063	3.3	4.75	2.48	7.6
2025	465,707	-1,110	408	132	768	\$9.3	\$34.5	\$59,863	3.1	4.78	2.54	7.7
2026	468,037	-1,258	410	133	789	\$9.6	\$35.9	\$60,653	3.1	4.82	2.60	7.7
2027	470,280	-1,332	412	134	779	\$10.0	\$37.4	\$61,393	3.0	4.85	2.66	7.8
2028	472,472	-1,384	413	134	760	\$10.4	\$38.8	\$61,970	3.3	4.89	2.72	7.8
2029	474,428	-1,501	414	135	734	\$10.7	\$40.3	\$62,569	3.1	4.92	2.79	7.8
2030	476,440	-1,494	416	135	731	\$11.1	\$41.7	\$63,171	3.0	4.96	2.85	7.9
2031	478,328	-1,604	418	136	714	\$11.5	\$43.2	\$63,780	2.9	4.99	2.92	7.9
2032	480,123	-1,610	419	137	699	\$11.9	\$44.7	\$64,320	3.1	5.03	2.99	7.9
2033	481,889	-1,662	421	137	684	\$12.3	\$46.2	\$64,946	2.7	5.07	3.06	7.9
2034	483,635	-1,626	422	138	678	\$12.8	\$47.8	\$65,545	2.9	5.10	3.13	7.9
2035	485,597	-1,540	424	138	684	\$13.2	\$49.4	\$66,115	3.0	5.14	3.21	8.0
2036	487,395	-1,476	425	139	665	\$13.7	\$51.3	\$66,579	3.4	5.18	3.28	8.0
2037	489,166	-1,490	427	139	665	\$14.2	\$53.2	\$67,013	3.5	5.22	3.36	8.0
2038	490,756	-1,518	428	140	653	\$14.7	\$55.1	\$67,502	3.3	5.26	3.44	8.0
2039	492,355	-1,538	429	140	654	\$15.1	\$57.1	\$67,946	3.5	5.29	3.52	8.0
2040	493,914	-1,560	431	141	644	\$15.6	\$59.2	\$68,409	3.4	5.33	3.61	8.0
2041	495,344	-1,536	432	141	624	\$16.0	\$61.3	\$68,926	3.2	5.37	3.69	8.0
2042	496,698	-1,497	434	142	616	\$16.5	\$63.4	\$69,490	3.1	5.41	3.78	8.1
2043	498,098	-1,466	435	142	608	\$17.0	\$65.5	\$70,079	3.0	5.45	3.87	8.1
2044	499,535	-1,386	436	142	590	\$17.4	\$67.6	\$70,723	2.8	5.49	3.97	8.1
2045	500,902	-1,403	438	143	582	\$17.9	\$69.9	\$71,333	3.0	5.53	4.06	8.1
2046	502,288	-1,368	439	143	574	\$18.3	\$72.2	\$71,961	2.9	5.57	4.16	8.1
2047	503,511	-1,383	441	144	567	\$18.8	\$74.5	\$72,606	2.9	5.60	4.26	8.1
2048	504,643	-1,401	442	144	561	\$19.3	\$77.0	\$73,267	2.9	5.64	4.36	8.2
2049	505,777	-1,416	444	145	554	\$19.8	\$79.5	\$73,941	2.9	5.68	4.46	8.2
2050	506,765	-1,431	445	145	549	\$20.3	\$82.1	\$74,650	2.9	5.72	4.57	8.2

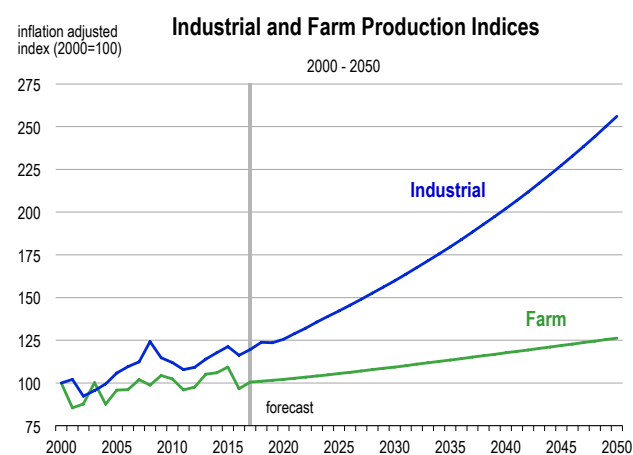
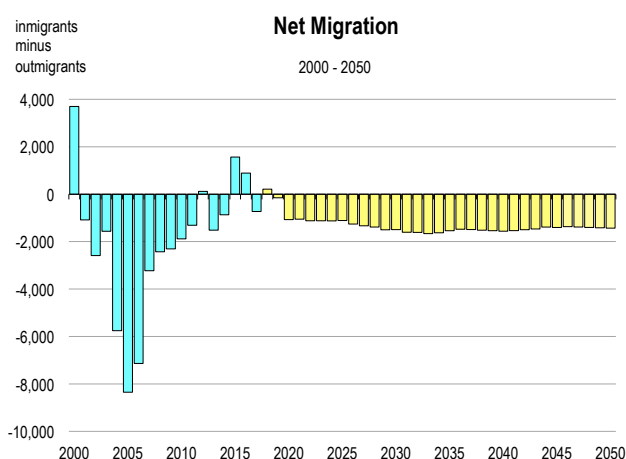
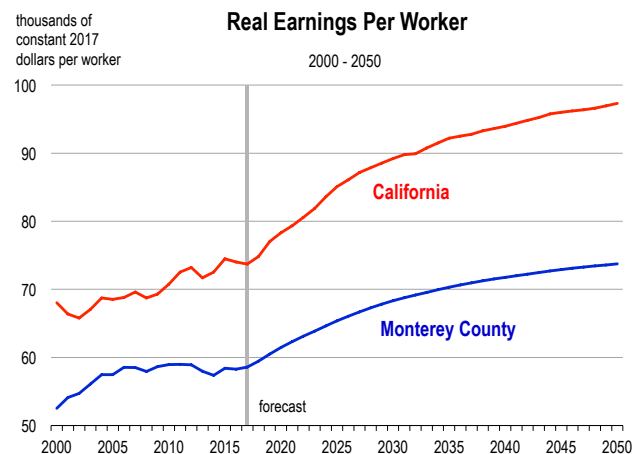


Monterey County Employment Forecast

2010-2017 History, 2018-2050 Forecast

	Total Wage & Salary	Farm	Construction	Manufac- turing	Transportation & Utilities	Wholesale & Retail Trade	Financial Activities	Professional Services	Information	Health & Education	Leisure	Government
	-----employment (thousands of jobs)-----											
2010	169.8	45.1	4.1	5.6	3.3	20.2	4.3	11.5	1.7	16.5	20.0	32.6
2011	170.0	46.3	3.8	5.6	3.4	20.6	4.1	11.5	1.6	16.5	20.2	31.7
2012	173.5	48.2	4.1	5.2	3.8	21.0	4.2	11.4	1.5	16.8	21.2	31.3
2013	176.7	50.1	4.5	5.3	4.0	21.3	4.0	11.3	1.5	17.5	21.9	30.2
2014	182.0	52.2	4.9	5.4	4.2	21.6	4.0	12.1	1.4	18.0	22.8	30.6
2015	186.1	53.0	5.2	5.5	4.3	21.7	4.1	12.8	1.3	18.4	23.4	31.1
2016	189.6	53.3	5.8	5.4	4.2	21.9	4.2	13.4	1.1	18.8	24.3	31.9
2017	191.1	52.5	6.0	5.6	4.1	22.0	4.3	13.2	1.1	19.6	24.5	33.0
2018	193.1	53.0	6.2	5.6	4.2	22.1	4.2	13.5	1.1	19.9	24.9	33.0
2019	195.4	53.1	6.5	5.6	4.2	22.3	4.2	13.8	1.1	20.3	25.2	33.5
2020	196.2	53.0	6.5	5.7	4.3	22.4	4.2	14.0	1.1	20.5	25.2	33.8
2021	197.3	53.0	6.4	5.7	4.3	22.5	4.2	14.2	1.1	20.7	25.5	34.0
2022	198.2	53.1	6.4	5.7	4.3	22.5	4.1	14.4	1.1	20.9	25.7	34.1
2023	199.3	53.2	6.4	5.8	4.4	22.6	4.2	14.5	1.1	21.1	25.9	34.3
2024	200.3	53.3	6.4	5.8	4.4	22.7	4.2	14.7	1.1	21.3	26.1	34.5
2025	201.3	53.4	6.3	5.8	4.4	22.8	4.3	14.9	1.1	21.4	26.2	34.8
2026	202.5	53.6	6.3	5.9	4.4	22.9	4.3	15.1	1.1	21.6	26.3	35.0
2027	203.6	53.7	6.3	5.9	4.4	23.1	4.3	15.2	1.1	21.7	26.3	35.3
2028	204.6	53.8	6.2	5.9	4.4	23.1	4.3	15.5	1.1	22.0	26.4	35.5
2029	205.6	54.0	6.2	6.0	4.4	23.2	4.4	15.7	1.2	22.2	26.5	35.6
2030	206.8	54.1	6.2	6.0	4.4	23.3	4.4	15.9	1.2	22.4	26.7	35.8
2031	207.9	54.3	6.1	6.0	4.4	23.5	4.4	16.1	1.2	22.7	26.8	36.0
2032	209.1	54.4	6.1	6.1	4.4	23.6	4.4	16.3	1.2	23.0	26.9	36.2
2033	210.2	54.6	6.0	6.1	4.5	23.7	4.4	16.5	1.2	23.2	27.1	36.4
2034	211.4	54.7	6.0	6.1	4.5	23.9	4.4	16.7	1.2	23.5	27.2	36.5
2035	212.5	54.9	6.0	6.2	4.5	24.0	4.4	16.9	1.2	23.7	27.3	36.7
2036	213.6	55.0	6.0	6.2	4.5	24.0	4.4	17.1	1.2	24.0	27.5	36.9
2037	214.7	55.2	6.0	6.2	4.5	24.1	4.4	17.2	1.2	24.3	27.6	37.0
2038	215.8	55.3	6.0	6.3	4.5	24.2	4.4	17.4	1.2	24.6	27.7	37.2
2039	216.8	55.5	6.0	6.3	4.5	24.2	4.4	17.6	1.2	24.8	27.8	37.4
2040	217.9	55.6	5.9	6.3	4.5	24.3	4.5	17.8	1.2	25.1	28.0	37.6
2041	219.0	55.8	5.9	6.4	4.5	24.3	4.5	17.9	1.2	25.4	28.1	37.7
2042	220.1	55.9	5.9	6.4	4.5	24.4	4.5	18.1	1.2	25.7	28.2	37.9
2043	221.3	56.1	5.8	6.4	4.5	24.4	4.5	18.3	1.2	26.0	28.4	38.1
2044	222.4	56.3	5.8	6.5	4.6	24.5	4.5	18.5	1.2	26.3	28.5	38.3
2045	223.5	56.4	5.8	6.5	4.6	24.5	4.5	18.7	1.2	26.6	28.6	38.5
2046	224.7	56.6	5.8	6.5	4.6	24.6	4.5	18.8	1.2	26.9	28.8	38.7
2047	225.8	56.7	5.7	6.6	4.6	24.6	4.5	19.0	1.2	27.3	28.9	38.8
2048	227.0	56.9	5.7	6.6	4.6	24.7	4.5	19.2	1.2	27.6	29.0	39.0
2049	228.1	57.0	5.7	6.6	4.6	24.7	4.5	19.4	1.3	27.9	29.2	39.2
2050	229.3	57.2	5.7	6.7	4.6	24.8	4.5	19.6	1.3	28.2	29.3	39.4





County Economic and Demographic Indicators

Projected Economic Growth (2018-2023)

Expected retail sales growth:	6.0%
Expected job growth:	3.2%
Fastest growing jobs sector:	Professional Services
Expected personal income growth:	10.8%

Expected population growth:	3.1%
Net migration to account for:	0%
Expected growth in number of vehicles:	2.6%

Demographics (2018)

Unemployment rate (April 2018):	6.7%
County rank* in California (58 counties):	46th
Working age (16-64) population:	63.3%

Population with B.A. or higher:	23.1%
Median home selling price (2017):	\$541,750
Median household Income:	\$66,888

Quality of Life

Violent crime rate (2016):	407 per 100,000 persons
County rank* in California (58 counties):	34th
Average commute time to work (2018):	25 minutes

High School drop out rate (2017):	6.6%
Households at/below poverty line (2018):	12.1%

* The county ranked 1st corresponds to the lowest rate in California